

City of Shellsburg

**Independent Accountant's Report
on Applying Agreed-Upon Procedures**

For the Period

July 1, 2013 through June 30, 2014

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City of Shellsburg

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Danny Roehr	Mayor	January 2016
Tim Peters	Mayor Pro Tem	January 2016
Dave Galli	Council Member	January 2016
Sharon Harvey	Council Member	January 2017
Judy Shaeffer	Council Member	January 2017
Dan Pence	Council Member	January 2017
Nancy Deklotz	City Clerk	Indefinite
Don Hoskins & Anne Loomis	City Attorneys	Indefinite

James R. Ridihalgh, C.P.A.
Gene L. Fuelling, C.P.A.
Donald A. Snitker, C.P.A.
Jeremy P. Lockard, C.P.A.

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Independent Accountant's Examination Report

To the Honorable Mayor
and Members of City Council:

We have performed the procedures enumerated below which were established pursuant to Chapter 11.6 of the Code of Iowa enacted by the Iowa Legislature to provide oversight of certain Iowa cities. Accordingly, we have applied certain tests and procedures to selected accounting records and related information of the City of Shellsburg, Iowa for the period July 1, 2013 through June 30, 2014. The City of Shellsburg's management, which agreed to the performance of the procedures performed, is responsible for the City's records.

This agree-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and the standards for attestation engagements contained in Government Auditing Standards, issued by the Comptroller General of the United States. The sufficiency of these procedures is solely the responsibility of those parties specified in the report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

The procedures we performed are summarized as follows:

1. We reviewed selected City Council meeting minutes for compliance with Chapters 21, 372.13(6), and 380 of the Code of Iowa.
2. We reviewed the City's internal controls to determine if proper control procedures are in place and incompatible duties, from a control standpoint, are not performed by the same employee.
3. We reviewed surety bond coverage for compliance with Chapter 64 of the Code of Iowa.
4. We obtained and reviewed the City Clerk's financial reports and selected bank reconciliations to determine whether the bank balances properly reconciled to the general ledger account balances and monthly financial reports provided to the City Council.
5. We reviewed City funds for consistency with the City Finance Committee's (CFC) recommended uniform chart of accounts and to determine required funds and fund balances are properly maintained and accurately accounted for.
6. We reviewed the City's fiscal year Annual Financial Report (AFR) to determine whether it was completed and accurately reflects the City's financial information.
7. We reviewed investments to determine compliance with Chapter 12B of the Code of Iowa.
8. We reviewed compliance with Chapters 12C.2, 12B.10B and 556.1(12) of the Code of Iowa pertaining to required depository resolutions, investment policy and reporting of unclaimed property to the State of Iowa.

9. We reviewed debt, including general obligation and revenue bonds/notes, and related transactions for proper authorization and compliance with Chapters 75, 384 and 403.9 of the Code of Iowa and to determine whether the debt and related proceeds and repayments were properly accounted for.
10. We reviewed and tested selected tax increment financing (TIF) transactions, including receipts, disbursements and transfers, for compliance and accurate accounting, including compliance with the TIF reporting requirements of Chapter 384.22 of the Code of Iowa.
11. We reviewed the City's TIF debt certification forms filed with the County Auditor, including requests for collection of reduced TIF amounts and to decertify certain TIF obligations, as applicable, for proper support and compliance with Chapter 403.19(6) of the Code of Iowa.
12. We reviewed and tested selected receipts for accurate accounting and consistency with the CFC recommended chart of accounts.
13. We reviewed and tested selected disbursements for proper approval, adequate supporting documentation, accurate accounting and consistency with the CFC recommended chart of accounts and compliance with the public purpose criteria established by Article III, Section 31 of the Constitution of the State of Iowa.
14. We reviewed transfers between funds for propriety, proper authorization and accurate accounting.
15. We reviewed and tested selected payroll and related transactions for propriety, proper authorization and accurate accounting.
16. We reviewed the annual certified budget for proper authorization, certification and timely amendment.

Based on the performance of the procedures described above, we identified various recommendations for the City. Our recommendations are described in the Detailed Recommendations section of this report. Unless reported in the Detailed Recommendations, items of non-compliance were not noted during the performance of the specific procedures listed above.

We were not engaged to and did not conduct an audit of the operations of the City of Shellsburg, the objective of which is the expression of opinions on financial statements. Accordingly, we do not express opinions on the City's financial statements. Had we performed additional procedures, or had we performed an audit of the City of Shellsburg, additional matters might have come to our attention that would have been reported to you.

The report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of the City of Shellsburg and other parties to whom the City of Shellsburg may report. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the City of Shellsburg during the course of our agreed-upon procedures. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

Ridihalgh, Fuelling, Snitker, Weber & Co., P.C.

Ridihalgh, Fuelling, Snitker, Weber & Co., P.C.

February 16, 2015

Detailed Recommendations

City of Shellsburg

Detailed Recommendations

For the period July 1, 2013 through June 30, 2014

- (A14) Segregation of Duties – One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. These incompatible duties can be summarized into four general categories: Custody, Authorization, Record-Keeping and Review. Ideally, separate individuals have control over each of the duties listed within the following areas for the City:

- (1) Cash – handling, reconciling and recording.
- (2) Receipts – opening mail, collecting, depositing, journalizing, reconciling and posting.
- (3) Disbursements – purchasing, invoice processing, check writing, mailing, reconciling and recording.
- (4) Payroll – recordkeeping, preparation and distribution.
- (5) Utilities – billing, collecting, depositing and posting.
- (6) Financial reporting – preparation and reconciling.
- (7) Journal entries – preparing and journalizing.

Recommendation – We realize segregation of duties is difficult with a limited number of employees. However, the City should continue to review its control procedures to obtain the maximum internal control possible under the circumstances utilizing currently available staff, including elected officials.

- (B14) Surety Bonds – The City only has surety bonds covering the City Clerk. It did not appear the City has any other employees covered by a surety bond/policy as required by Chapters 64.13 and 64.15 of the Code of Iowa.

Recommendation – The City should comply with the Code of Iowa and obtain appropriate surety bond coverage for all employees.

- (C14) Council Minutes – Chapter 372.13(6) of the Code of Iowa requires minutes of all City Council proceedings be published within fifteen days of the meeting. Minutes for one meeting tested were not published.

Recommendation – The City should comply with the Code of Iowa and publish City Council minutes within fifteen days of the meeting, as required.

- (D14) Long-Term Debt Proceeds – Section 148 of the Federal Internal Revenue Service Rules establishes specific rules regarding arbitrage, yield restrictions and rebate requirements which have the potential to affect debt issuances of the City. The City has no written procedures to monitor compliance with the rules.

Recommendation – The City should establish written procedures to monitor compliance with the Section 148 Rules.

City of Shellsburg

Detailed Recommendations

For the period July 1, 2013 through June 30, 2014

- (E14) Annual Urban Renewal Report – The Annual Urban Renewal Report filed by December 1 annually is to report “TIF Debt Outstanding” as of the previous June 30th. Tax Increment Financing Debt Outstanding consists of Certified Debt and Certifiable Debt. Certifiable Debt is defined as outstanding TIF obligations incurred during the fiscal year covered by the urban renewal report, including annual appropriation debt not yet certified. The City’s AURR filed by December 1, 2013 did not report the portion of TIF obligations in the May 2013 debt issuance which meets the definition of Certifiable Debt.

Recommendation – The City should seek appropriate counsel to determine the disposition of the matter.

- (F14) Tax Increment Financing – Chapter 403.19 of the Code of Iowa provides a municipality shall certify indebtedness to the County Auditor. The City does not appear to be certifying with the County TIF debt interest being paid by tax increment financing receipts.

In addition, Chapter 403.19(6)(b) of the Code of Iowa requires the City to certify the amount of reductions resulting from the reduction of debt or any other reason to the County Auditor. The City did not decertify prior TIF obligations refunded in May 2013 on its Tax Increment Debt Certificate filed with the County Auditor by December 1, 2013. Additionally, the City requested TIF tax increment on debt that was no longer outstanding.

Recommendation – The City should seek appropriate counsel to determine the disposition of the matter.

- (G14) Local Option Tax – Local Option Sales Tax receipts are to be expended as determined by local ballot provisions. We were unable to determine LOST receipts were expended in accordance within these provisions.

Recommendation – The City should fully expend annual receipts as per the provisions of the local ballot. If funds are not fully expended, a proper accounting should be maintained to determine authorized use of any carryover fund balances.

- (H14) Certified Budget – Chapter 24.9 of the Code of Iowa requires budget amendments be passed and approved on or before May 31 of the fiscal year being amended. The City’s budget amendment was not made timely.

Recommendation – We recommend the City establish procedures to ensure compliance with Chapter 24.9 of the Code of Iowa.